

ECONOMIC DEVELOPMENT COMMITTEE

Date: 27 March 2000

Time: 12.30pm - 3pm

Venue: Committee Room 1 , National Assembly for Wales Building

OBJECTIVE 1: DRAFT SINGLE PROGRAMMING DOCUMENT

Purpose

1. The Committee is invited to consider the draft Objective 1 Single Programming Document (SPD) for West Wales and the Valleys and to advise on matters which should be taken into account in discussions with the European Commission.

Introduction

2. Discussions with the Commission are continuing. On 30 March, a further meeting between the partnership and the Commission will consider the latest draft of the SPD and, it is hoped, agreement will be reached on the central issues, notably:

- the Priorities for the Programme and the financial allocations to be made to them;
- the indicative Measures to be adopted and the financial allocations to be made to them;
- the financial tables governing the Programme;
- funding and implementation measures.

Certain issues remain under discussion at UK level, in which Assembly officials are involved, and the outcome to these will be reflected in the SPD.

3. Any agreement with the Commission would be subject to the endorsement of the Assembly and a Plenary debate for this purpose is planned for 12 April. Thereafter, the Commission will need to follow its own internal processes before a formal decision can be taken on the Programme.

4. In the interim, the shadow Monitoring Committee will be free to continue its supervision of all preparations for the launch of the Programme. These will include further development of the Programme Executive (the Welsh European Funding Office): guidance for partnerships on the preparation and assessment of Action Plans: refinement of those Plans by partnerships at the regional, sub-regional and local level: a communications strategy for the Programme: and options for the launch of the Programme before the summer.

Background

5. Discussions with the Commission over recent months have been constructive and helpful. These have involved the provision of further analysis and data, establishing clearer links between the problems identified in the Objective 1 area and the strategy and Priorities to be followed in the SPD. No significant strategic shift has been required in the draft programme submitted to Brussels by the Assembly last November. Nevertheless, the talks have usefully led to agreement on restructured Priorities with a separate and sharper focus on issues such as innovation and rural development.

6. The core of the Programme will be the 6 key Priorities (in addition to a Technical Assistance Priority) and the financial allocations made to them. These will determine the broad thrust of the Programme and what it is planned to achieve. Within each Priority, there are supporting "Measures", together with budgets. These must feature in the SPD but are only indicative. Responsibility for refining them will rest with the Monitoring Committee, which must finalise them in a "Programme Complement". This may be adjusted by the Monitoring Committee in the light of experience and, unlike the Priorities, the Commission's approval for the Complement is not required.

Priorities and Measures

7. There is partnership agreement on the choice of Priorities. The final text remains for discussion with the Commission, but the structure is effectively settled.

8. The funding allocations to these Priorities will dictate the overall direction of the Programme. There is no consensus within the partnership on precisely how the funding should be deployed, though the allocation in the draft SPD (summary at Annex A) reflects partnership discussions and seeks to strike a balance between competing pressures which most partners will hopefully find acceptable.

- **Priority 1.** Development and growth of the SME sector is seen as the heart of the Programme. There is to be a new investment fund: a major thrust to foster enterprise and the formation, survival and growth of new businesses: a focused system of business advice: an upgrading of vocational and managerial skills: and the provision of quality premises and workshops for SMEs.

Business is the overriding concern. Developing the SME base together with innovation and technology initiatives (Priorities 1 and 2) account for around 40% of the total programme. Business will also be a major beneficiary of funds for training and infrastructure;

- **Priority 2.** This Priority will tackle the low levels of innovation and of R and D in Wales. ICT infrastructure to give ready access to the network throughout the region; major initiatives to promote the use of ICT and e commerce; the development of science

parks, incubator units and centres of excellence, including research bodies and higher/ further education institutions, will be pursued. Energy conservation and efficiency will be covered. The Priority attracts 15% of total funding;

- **Priority 3.** Community regeneration is another key aim. The Commission emphasise, however, that aid should be targeted on activities where there are clear economic links and benefits. They also want "spatial" targeting with help concentrated in the most deprived areas. Capacity building, social inclusion, community action and the social economy will be eligible. The Priority has a proposed allocation of around 10% of the Programme;
- **Priority 4.** There will be substantial funds for training to help the unemployed and the economically inactive and to prevent people slipping into long-term unemployment. Active labour market initiatives: lifetime learning measures: better facilities and access to learning opportunities, help to promote the participation of women (including childcare) and socially excluded groups will be included. A quarter of all funds is allocated to human resource development;
- **Priority 5.** Rural Wales will benefit from the whole Programme. However, a special agricultural and rural Priority is included to bring out the strong links with the Rural Development Plan. It will feature four broad themes of managing agricultural change and forestry development, diversification and local economic development, countryside and coastal management and support for fisheries. This special provision accounts for just under 12% of the Programme;
- **Priority 6.** Transport development, including roads, the provision of large, strategic employment sites, and environmental infrastructure will be covered. Energy infrastructure (including gas networks to major sites and energy efficient electricity production plants) is a further measure under discussion with the Commission. Some 12.5% of the Programme is allocated to infrastructure;
- **Priority 7.** The Technical Assistance budget will help finance programme administration. It will be important for various bodies incurring costs in contributing to the management of the Programme. Clarification of the Commission's detailed views on the use of technical assistance funding is the subject of further discussion.

Funding

9. The financial tables, which remain for discussion with the Commission, will set out the total amount of European aid, the allocation of this aid between Priorities and between years, and the anticipated provision of match funding by central and local Government and by the private sector.

Implementation

10. The Committee has decided to hold a separate discussion on implementation of the Programme.

Conclusion

11. Preparation of the full SPD will require further extensive editing in discussion with the

Commission. The immediate questions for the Committee surround the choice of Priorities for the Programme and the funding to be allocated to them. The Committee's advice on those aspects of the Programme would be welcome.

European Affairs Division
March 2000

ANNEX A

OBJECTIVE 1: PRIORITIES

£ million (multiply by approx 1.5 = Euros)

Priority	Financial Allocation -
1. Developing the SME base	Proposed
Measures*;	308
	*
1. Financial Support for SMEs	50
2. Increasing the Birth rate of SMEs	55
3. Developing Competitive SMEs	70
4. Promoting Adaptability and Entrepreneurship	83
5 Developing sites and premises	50
2 Modernising the Economic Base	190
Measures;	25
1 ICT infrastructure	40
2. Developing the knowledge driven economy	
3. Support for innovation and R and D	75
4 Skills for innovation and technology	25
5 Promoting Clean Energy	25

* Indicative only. For consideration by the Monitoring Committee.

3 Community Regeneration	119
Measures;	15
1. Community Action for Social Inclusion (ESF)	22
2. Partnership and community capacity building (ERDF)	
3. Community led initiatives (ERDF)	57
4. Supporting the social economy (ERDF)	25
<i>NB Social Risk Capital will now be dealt with in measure 2 of Priority 4</i>	
4. Promoting Employability and the Development of a Learning Society	312
Measures;	100
1 Active Labour market measures (ESF)	70
2. Social Inclusion (ESF)	75
3 Skills and lifelong learning (ESF)	44
4 Widening access to learning (ERDF)	19
5 Improving the participation of women in the labour market (ESF)	4
6. Anticipation and analysis of skill needs (ESF)	
5. Rural Development and the Sustainable use of Natural Resources	142

Measures;

1 Processing of agricultural products (EAGGF)	62
2 Training and Awareness (EAGGF)	
3 Forestry (EAGGF)	
4 adaptation and development of rural areas (EAGGF)	10
5 young entrant scheme (<i>possible</i>) (EAGGF)	
6 Local economic development (ERDF)	30
7 Countryside management (EAGGF)	15
8 Coastal zone management(ERDF)	15
9 Fisheries (FIFG)	10

6 Strategic Infrastructure Development

Measures; 60

1. Transport (ERDF)	42
2 Sites and Premises (ERDF)	10
3 Energy (ERDF)	40
4 Environmental Infrastructure (ERDF)	

7 Technical Assistance 13

Totals 1223

ERDF 727

ESF 391

EAGGF 95

FIFG 10